

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 49.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its deficiency in shareholders' funds of approximately HK\$159 million as at 31st March, 2002.

The directors have been taking active steps to improve the liquidity position of the Group. During the year, the Group obtained new credit facilities from an independent third party which remain unutilised up to the date of this report. And as explained in note 52(a), in April 2002, the Group raised approximately HK\$14.1 million from a placement of new shares in the Company with independent investors. The directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for twelve months from the date of this report.

As explained in note 32(c), the Group has in issue non-interest bearing convertible bonds in the sum of HK\$301 million maturing in October 2004. On the basis that the Group will be able to meet its obligations to convertible noteholders at the maturity date, the financial statements have been prepared on a going concern basis.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 4. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation. However, the adoption of these new and revised SSAPs has no significant impact on the results of the Group for the current or prior periods.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies.

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts and disclosures have been restated in order to achieve a consistent presentation.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight line basis over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance is resulted.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 which had been eliminated against reserves continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions prior to 1st April, 2001 which was capitalised and goodwill arising on acquisitions after 1st April, 2001 are capitalised and amortised on a straight-line basis over its useful economic life, less any impairment loss. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus goodwill on acquisition in so far as it has not already been written off, less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities for the year is included in the consolidated income statement.

Other joint venture arrangements

Investments made by means of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or investments in securities (where the Group exercises neither control nor significant influence).

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities or other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by an impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Club debentures

Club debentures are stated at cost, as reduced by any impairment loss that is other than temporary.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the period of the respective leases.

When properties are held for resale, revenue is recognised on the execution of a binding sales agreement.

Sales of investments in securities are recognised when the related bought and sold notes are executed.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

No amortisation is charged in respect of investment properties which are held on leases with unexpired terms of more than 20 years.

Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of investment properties, any balance in the investment property revaluation reserve attributable to the disposed properties is included in the determination of the profit or loss on disposal.

Patent and advertising agency rights

Patent and advertising agency rights are stated at cost less amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost of patent and advertising agency rights over their estimated useful lives, using the straight line method, over twenty and ten years, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Energy saving machines	10%
Plant and machinery	10%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	10% – 15%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the period of the relevant lease.

Leases

Lessor

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

All other leases are classified as operating leases and the rental income is recognised on a straight-line basis over the relevant lease term.

Lessee

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Convertible bonds

Convertible bonds are separately disclosed and regarded as liabilities unless conversion actually occurs. The finance cost recognised in the income statement in respect of the convertible bonds is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period.

The costs incurred and discount granted to bondholders in connection with the issue of convertible bonds are deferred and amortised on a straight line basis over the lives of the convertible bonds from the dates of issue of the bonds to their final redemption date. If any of the bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

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FOR THE YEAR ENDED 31 ST MARCH, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (continued)**Retirement benefits scheme contributions**

The pension cost charged in the income statement represents the contributions payable in respect of the current year to the mandatory provident fund scheme.

5. TURNOVER

Turnover represents the net amounts received and receivable from third parties and is summarised as follows:

	2002 HK\$'000	2001 HK\$'000
Sales of energy saving machine	4,286	–
Income from finance	1,553	3,212
Sales of properties held for resale	1,180	–
Rental income	348	3,523
Sales of other investments	–	4,349
	7,367	11,084

6. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

For management purposes, the Group is currently organised into five operating divisions – energy saving machine, other investments, properties, investment and finance, and leasing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Energy saving machine – manufacturing and trading of energy saving machine
- Other investments – trading of other investments
- Properties – trading of properties held for resale
- Investment and finance – engage in investing and financing activities
- Leasing – leasing of equipment and property rental

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses is presented below:

2002

	Energy saving machine HK\$'000	Other investments HK\$'000	Properties HK\$'000	Investment and finance HK\$'000	Leasing HK\$'000	Consolidated HK\$'000
Income Statement:						
Turnover						
External sales	<u>4,286</u>	<u>–</u>	<u>1,180</u>	<u>1,553</u>	<u>348</u>	<u>7,367</u>
Segment result	<u>(9,620)</u>	<u>(4)</u>	<u>(35)</u>	<u>(159,514)</u>	<u>(1,824)</u>	(170,997)
Interest income						57
Unallocated corporate expenses						<u>(29,753)</u>
Loss from operations						(200,693)
Finance costs						(28,419)
Share of results of jointly controlled entities	–	–	141	–	(2,689)	(2,548)
Impairment loss on goodwill	(50,726)	–	–	(13,413)	–	<u>(64,139)</u>
Loss before taxation						(295,799)
Taxation						<u>(113)</u>
Loss before minority interests						<u>(295,912)</u>
Balance Sheet:						
ASSETS						
Segment assets	94,108	24,951	–	21,108	10,482	150,649
Interests in associates	–	–	10	13,412	–	13,422
Interests in jointly controlled entities	–	–	16,934	–	15,573	32,507
Unallocated corporate assets						<u>12,028</u>
Consolidated total assets						<u>208,606</u>
LIABILITIES						
Segment liabilities	54,693	10	–	10	6,546	61,259
Unallocated corporate liabilities						<u>306,434</u>
Consolidated total liabilities						<u>367,693</u>
Other Information:						
Capital additions	3,415	–	–	–	–	3,415
Depreciation and amortisation	12,170	–	–	6,019	45	18,234
Impairment loss on investment securities	–	–	–	111,911	–	111,911
Write off of intangible assets	–	–	–	31,868	–	31,868
Provision for bad and doubtful debts	–	–	–	9,954	–	9,954
Deficit arising on revaluation of investment properties	–	–	–	–	2,030	<u>2,030</u>

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6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses is presented below:

2001

	Energy saving machine HK\$'000	Other investments HK\$'000	Properties HK\$'000	Investment and finance HK\$'000	Leasing HK\$'000	Consolidated HK\$'000
Income Statement:						
Turnover						
External sales	–	4,349	–	3,212	3,523	11,084
Segment result	(3,865)	(2,644)	–	(34,288)	406	(40,391)
Interest income						618
Unallocated corporate expenses						(58,429)
Loss from operations						(98,202)
Finance costs						(29,996)
Share of results of associates	(3,735)	–	83	–	–	(3,652)
Share of results of jointly controlled entities	–	–	(688)	–	(10,641)	(11,329)
Impairment loss on goodwill	(109,781)	–	–	(210,811)	–	(320,592)
Net gain on disposal of subsidiaries						5,051
Loss before taxation						(458,720)
Taxation						348
Loss before minority interests						(458,372)
Balance Sheet:						
ASSETS						
Segment assets	149,784	24,932	1,515	194,642	11,951	382,824
Interests in associates	–	–	10	–	–	10
Interests in jointly controlled entities	–	–	16,794	–	18,261	35,055
Unallocated corporate assets						13,852
Consolidated total assets						431,741
LIABILITIES						
Segment liabilities	49,712	10	861	20	7,038	57,641
Unallocated corporate liabilities						325,421
Consolidated total liabilities						383,062
Other Information:						
Capital additions	149,760	–	–	146,154	11,301	307,215
Depreciation and amortisation	10,354	–	–	1,573	727	12,654
Impairment loss on investment securities	–	–	–	5,620	–	5,620
Provision for bad and doubtful debts	–	–	–	30,939	–	30,939
Unrealised holding loss on other investments	–	2,421	–	–	–	2,421
Deficit arising on revaluation of investment properties	–	–	–	–	21	21

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are principally located in Hong Kong, the People's Republic of China ("PRC") and Canada.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market		Loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	1,900	11,013	(165,544)	(40,204)
Canada	3,632	71	(1,233)	(187)
PRC	1,835	–	(2,573)	–
Others	–	–	(1,647)	–
	<u>7,367</u>	<u>11,084</u>	<u>(170,997)</u>	<u>(40,391)</u>
Interest income			57	618
Unallocated corporate expenses			(29,753)	(58,429)
Loss from operations			<u>(200,693)</u>	<u>(98,202)</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	186,955	413,432	3,415	307,215
PRC	16,934	16,794	–	–
Canada	4,449	1,515	–	–
Others	268	–	–	–
	<u>208,606</u>	<u>431,741</u>	<u>3,415</u>	<u>307,215</u>

7. OTHER OPERATING INCOME

Other operating income included the following:

	2002 HK\$'000	2001 HK\$'000
Interest income, other than from loans receivable	57	618
Unrealised holding gain on other investments	19	–
Dividend income from listed other investments	–	16
	<u>76</u>	<u>634</u>

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8. OTHER OPERATING EXPENSES

	2002 HK\$'000	2001 HK\$'000
Impairment loss on investment securities	111,911	5,620
Write off of intangible assets	31,868	–
Provision for bad and doubtful debts	9,954	30,939
Deficit arising on revaluation of investment properties	2,030	–
Unrealised holding loss on other investments	–	2,421
	<u>155,763</u>	<u>38,980</u>

9. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations have been arrived at after charging:		
Staff costs:		
Directors' remuneration (Note 11)	11,420	13,605
Salaries and other benefits	8,486	9,032
Retirement benefits scheme contributions, excluding directors	323	113
	<u>20,229</u>	<u>22,750</u>
Depreciation and amortisation:		
Amortisation of intangible assets	5,172	1,421
Amortisation of goodwill arising on acquisition of		
– subsidiaries	8,329	4,365
– associates	2,175	4,219
Depreciation of property, plant and equipment:		
– owned assets	2,146	2,542
– assets held under finance leases	412	107
	<u>18,234</u>	<u>12,654</u>
Auditors' remuneration	1,084	1,199
Exchange loss	13	3,005
Loss on disposal of property, plant and equipment	–	6,405
Loss on disposal of club debentures	–	50
Provision for diminution in value of properties held for resale	–	270
and after crediting:		
Property rental income, net of outgoings of HK\$86,000	–	3,437
Gain on disposal of property, plant and equipment	1,263	–
	<u>1,263</u>	<u>–</u>

10. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Amortisation of issue costs of convertible bonds	4,578	1,531
Unamortised issue costs written off on the conversion of convertible bonds	5,091	2,941
Interest on:		
– bank and other borrowings wholly repayable within five years	2,733	13,681
– convertible bonds	15,799	11,801
Finance lease charges	218	42
	<u>28,419</u>	<u>29,996</u>

11. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
(a) Directors' remuneration		
Directors' fees:		
Executives	–	–
Independent non-executives	70	40
	<u>70</u>	<u>40</u>
Other emoluments:		
Executive directors:		
Salaries and other benefits	9,487	13,541
Retirement benefits scheme contribution	63	24
Non-contractual payments for loss of office paid to directors	1,800	–
Independent non-executive directors	–	–
	<u>11,350</u>	<u>13,565</u>
Total directors' emoluments	<u>11,420</u>	<u>13,605</u>

The emoluments of the directors were within the following bands:

	Number of directors	
	2002	2001
Up to HK\$1,000,000	6	8
HK\$1,000,001 to HK\$1,500,000	2	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	2	1
HK\$4,000,001 to HK\$4,500,000	–	1
	<u>6</u>	<u>12</u>

11. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)**(b) Employees' emoluments**

The five highest paid individuals for the years ended 31st March, 2002 and 2001 are all executive directors of the Company, whose emoluments are included in note (a) above.

During the years ended 31st March, 2002 and 2001, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group. In addition, during the year ended 31st March, 2002, seven directors waived emoluments of HK\$506,000. No director waived any emoluments during the year ended 31st March, 2001.

12. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge (credit) comprises:		
Taxation of the Company and its subsidiaries		
– Hong Kong Profits Tax		
– Current year	106	–
– Overprovision in previous years	–	(348)
	<u>106</u>	<u>(348)</u>
– Taxation outside Hong Kong	7	–
	<u>113</u>	<u>(348)</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of unrecognised deferred taxation are set out in note 43.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$295,590,000 (2001: HK\$458,361,000) and on weighted average number of ordinary shares in issue during the year of 193,809,649 shares (2001: 60,260,135 shares after adjusted for the effects of the consolidation of the Company's shares and the open offer during the year as set out in note 33).

No diluted loss per share has been calculated for the years ended 31st March, 2002 and 2001 as the exercise of the share options and the conversion of the convertible bonds would result in a decrease in the loss per share for both years.

14. INVESTMENT PROPERTIES

HK\$'000

THE GROUP

VALUATION

At 1st April, 2001	11,280
Deficit arising on revaluation	(2,030)

At 31st March, 2002**9,250**

The Group's investment properties are held under long-term leases in Hong Kong.

At 31st March, 2002, the Group's investment properties were revalued by B.I. Appraisals Limited, an independent firm of professional property valuers, on an open market value basis. The deficit arising on revaluation has been charged to the consolidated income statement.

15. PROPERTY, PLANT AND EQUIPMENT

	Energy saving machines HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st April, 2001	11,038	839	6,655	1,935	20,467
Additions	378	889	219	1,929	3,415
Disposals	(3,051)	–	(104)	(600)	(3,755)
At 31st March, 2002	8,365	1,728	6,770	3,264	20,127
DEPRECIATION					
At 1st April, 2001	2,314	177	1,274	544	4,309
Provided for the year	961	221	1,012	364	2,558
Eliminated on disposals	(783)	–	(57)	(277)	(1,117)
At 31st March, 2002	2,492	398	2,229	631	5,750
NET BOOK VALUES					
At 31st March, 2002	5,873	1,330	4,541	2,633	14,377
At 31st March, 2001	8,724	662	5,381	1,391	16,158

The Group's property, plant and equipment include cost of HK\$1,556,000 (2001: HK\$660,000) and accumulated depreciation of HK\$403,000 (2001: HK\$144,000) in respect of energy saving machines which are held for rental income under operating leases.

Included in the net book value of property, plant and equipment of the Group are assets held under finance leases amounting to HK\$3,614,000 (2001: HK\$1,303,000).

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16. GOODWILL

	HK\$'000
THE GROUP	
COST	
At 1st April, 2001 and 31st March, 2002	122,883
AMORTISATION AND IMPAIRMENT	
At 1st April, 2001	13,102
Provided for the year	8,329
Provision for impairment loss	50,726
At 31st March, 2002	72,157
NET BOOK VALUES	
At 31st March, 2002	50,726
At 31st March, 2001	109,781

The amortisation period adopted for goodwill is twenty years.

During the year, the directors of the Company have reviewed the carrying amount of goodwill arising from acquisition of a subsidiary which is mainly engaged in the manufacturing, trading and leasing of energy saving machine. With reference to the current market condition, financial performance and the existing operating plan of the energy saving machine business, impairment loss of HK\$50,726,000 has been identified and recognised in the consolidation income statement accordingly.

17. INTANGIBLE ASSETS

	Patent HK\$'000	Advertising agency rights HK\$'000	Total HK\$'000
THE GROUP			
COST			
At 1st April, 2001	30,600	36,421	67,021
Written off during the year	–	(36,421)	(36,421)
At 31st March, 2002	30,600	–	30,600
AMORTISATION			
At 1st April, 2001	2,932	911	3,843
Provided for the year	1,530	3,642	5,172
Eliminated on written off	–	(4,553)	(4,553)
At 31st March, 2002	4,462	–	4,462
NET BOOK VALUES			
At 31st March, 2002	26,138	–	26,138
At 31st March, 2001	27,668	35,510	63,178

17. INTANGIBLE ASSETS (continued)

Due to the change of economic environment, the subsidiary which held the advertising agency rights had not commenced its business and remained inactive at the balance sheet date. The directors are of the opinion that the advertising agency rights should not be carried forward in the financial statements and that it should be written off to the consolidated income statement accordingly.

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	659,110	659,110
Less: Impairment losses	<u>(659,110)</u>	<u>(659,110)</u>
	-	-
Amounts due from subsidiaries, less impairment losses	<u>298,561</u>	<u>607,279</u>
	<u><u>298,561</u></u>	<u><u>607,279</u></u>

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Other than an amount of HK\$33,275,000 (2001: HK\$40,195,000) which carries interest at prevailing market rates, the remaining balance is interest-free. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

During the year, the directors of the Company have reviewed the carrying amount of the interest in subsidiaries in light of the current market condition with reference to the financial results and business operated by certain subsidiaries. The directors have identified impairment loss on the investments in securities and intangible assets held by certain of the subsidiaries and impairment loss of approximately HK\$194 million in respect of the amounts due from subsidiaries has been identified.

Details of the Company's principal subsidiaries at 31st March, 2002 are set out in note 49.

19. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets of associates	10	10
Goodwill arising on acquisition of an associate less amortisation and impairment (Note)	<u>13,412</u>	<u>-</u>
	<u><u>13,422</u></u>	<u><u>10</u></u>

Details of the Company's principal associates at 31st March, 2002 are set out in note 50.

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FOR THE YEAR ENDED 31ST MARCH, 2002

19. INTERESTS IN ASSOCIATES (continued)

Note: Goodwill arising on acquisition of an associate

	HK\$'000
COST	
Acquired during the year and balance at 31st March, 2002	29,000
AMORTISATION AND IMPAIRMENT	
Provided for the year	2,175
Provision for impairment loss	13,413
At 31st March, 2002	15,588
NET BOOK VALUES	
At 31st March, 2002	13,412
At 31st March, 2001	-

The associate acquired during the year planned to engage in the development of electronic books. Having considered the market condition and existing business plan of electronic books with reference to the value in use at the balance sheet date, the directors of the Company are of the opinion that the goodwill amounting to HK\$13,413,000 should not be carried forward in the financial statements and the amount has been recognised in the consolidated income statement as impairment loss.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets of jointly controlled entities	18,853	21,401
Amounts due from jointly controlled entities	13,654	13,654
	32,507	35,055

The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amount will not be repayable within the twelve months from the balance sheet date and are therefore shown in the consolidated balance sheet as non-current.

Details of the Group's principal jointly controlled entities at 31st March, 2002 are set out in note 51.

FOR THE YEAR ENDED 31ST MARCH, 2002

21. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Non-current:		
Investment securities in Hong Kong:		
Unlisted securities, at cost less impairment losses	—	111,911
Current:		
Other investments in Hong Kong:		
Listed securities, at market value	24,951	24,932

22. LOANS TO A MINORITY SHAREHOLDER OF SUBSIDIARIES

The amounts of the Group are unsecured, carry interest at prime rate and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within the next twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

23. CLUB DEBENTURES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Club debentures, at cost	2,798	2,798	100	100

24. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP				
Amounts receivable under finance leases:				
Within one year	356	—	318	—
In the second to fifth year inclusive	306	—	267	—
	662	—		
Less: Unearned finance income	(77)	—		
Present value of minimum lease payments receivable	585	—	585	—
Less: Amount due within one year included in current assets			(318)	—
Amount due after one year			267	—

The Group enters into finance leasing arrangements for certain of its energy saving machines. The average term of finance leases entered into is three years.

▶ 46 NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 ST MARCH, 2002

25. INVENTORIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials	814	777
Finished goods	1,353	–
	<u>2,167</u>	<u>777</u>

26. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade debtors.

Included in trade and other receivables of the Group are trade receivables of HK\$4,342,000 (2001: HK\$3,378,000). Its aged analysis at the balance sheet date is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within 30 days	280	314
31 – 60 days	101	162
Over 60 days	3,961	2,902
	<u>4,342</u>	<u>3,378</u>

27. SHORT-TERM LOANS RECEIVABLE

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Loans receivable	27,077	74,075	–	23,250
Less: Provision for bad and doubtful debts	(25,261)	(54,929)	–	(15,000)
	<u>1,816</u>	<u>19,146</u>	<u>–</u>	<u>8,250</u>
Analysed as				
– secured	1,816	1,700	–	–
– unsecured	–	17,446	–	8,250
	<u>1,816</u>	<u>19,146</u>	<u>–</u>	<u>8,250</u>

The Group maintained a defined credit policy in accordance with respective loan agreements. The age of loans receivable of the Group at the balance sheet date were over 60 days.

28. AMOUNTS DUE FROM ASSOCIATES

Amounts due from associates of the Group are unsecured, interest-free and repayable on demand.

29. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade creditors of HK\$107,000 (2001: HK\$15,000). Its aged analysis at the balance sheet details as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within 30 days	42	12
31 – 60 days	16	–
Over 60 days	49	3
	<u>107</u>	<u>15</u>

30. BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Borrowings comprise:				
Bank loans	6,761	8,252	–	–
Other loans	–	22,436	–	3,000
	<u>6,761</u>	<u>30,688</u>	<u>–</u>	<u>3,000</u>
Analysed as				
– secured	6,500	7,852	–	–
– unsecured	261	22,836	–	3,000
	<u>6,761</u>	<u>30,688</u>	<u>–</u>	<u>3,000</u>
The above amounts are repayable as follows:				
Within one year or on demand	648	30,688	–	3,000
Between one and two years	399	–	–	–
Between two and five years	1,284	–	–	–
Over five years	4,430	–	–	–
	<u>6,761</u>	<u>30,688</u>	<u>–</u>	<u>3,000</u>
Less: Amount due within one year included in current liabilities	(648)	(30,688)	–	(3,000)
Amount due after one year	<u>6,113</u>	<u>–</u>	<u>–</u>	<u>–</u>

▶ 48 NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 ST MARCH, 2002

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP				
The maturity of obligations under finance leases is as follows:				
Within one year	1,979	495	1,741	423
In the second to fifth year inclusive	1,947	806	1,678	683
	3,926	1,301		
Less: Future finance charges	(507)	(195)		
Present value of lease obligations	3,419	1,106	3,419	1,106
Less: Amount due within one year included in current liabilities			(1,741)	(423)
Amount due after one year			1,678	683

The average lease term is three years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

32. CONVERTIBLE BONDS

	THE GROUP AND THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
10% convertible bonds (Note a)	–	25,000
7.5% convertible bonds (Note b)	8,400	265,200
Non-interest bearing convertible bonds (Note c)	301,000	–
	309,400	290,200
Less: Unamortised issue costs and discount		
– 5% discount allowed	17,550	–
– expenditure incurred	9,279	8,772
– accumulated amortisation	(6,275)	(1,697)
– written off on the conversion of convertible bonds	(5,091)	(2,941)
	15,463	4,134
	293,937	286,066
Less: Amount due within one year included in current liabilities	(8,319)	(24,760)
Amount due after one year	285,618	261,306

Notes:

- (a) The 10% convertible bonds were issued in December 1999. These 10% convertible bonds are unsecured and carry interest at 10% per annum payable half-yearly in arrears. The bondholders have the rights, at any time within a period of two years from the date of issue, to convert part or all of the principal amount of the 10% convertible bonds outstanding into ordinary shares of the Company at an adjusted conversion price of HK\$9.412 per share, subject to adjustments.

During the year, nominal value in aggregate of HK\$25,000,000 of the 10% convertible bonds were redeemed by the Company.

▶ 50 NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2002

32. CONVERTIBLE BONDS (continued)

(b) Details of the 7.5% convertible bonds are as follows:

7.5% Convertible bonds	Initial conversion price per share	Adjusted conversion price per share before redemption/ at 31.3.2002	Principal amount outstanding at 1.4.2001	Principal amount redeemed during the year	Principal amount outstanding at 31.3.2002
	HK\$	HK\$	HK\$'000	HK\$'000	HK\$'000
Issued between August and September 2000 pursuant to the deed poll dated 21st August, 2000	0.600	8.438	51,600	(43,200)	8,400
Issued in October 2000 pursuant to the deed poll dated 24th October, 2000	0.320	4.819	50,400	(50,400)	–
Issued between November and December 2000 pursuant to the deed poll dated 16th November, 2000	0.320	5.151	90,400	(90,400)	–
Issued in November 2000 pursuant to the deed poll dated 23rd November, 2000	0.320	5.034	72,800	(72,800)	–
			265,200	(256,800)	8,400

The 7.5% convertible bonds are unsecured and carry interest at 7.5% per annum payable half-yearly in arrears. The bondholders have the rights, at any time within a period of two years from the date of issue, to convert part or all of the principal amount of the 7.5% convertible bonds outstanding into ordinary shares of the Company at an initial conversion prices as stated above, subject to adjustments.

During the year, nominal value in aggregate of HK\$256,800,000 of the 7.5% convertible bonds were redeemed by the Company.

At 31st March, 2002, exercise in full of the outstanding conversion rights of the 7.5% convertible bonds by the bondholders will, under the share structure of the Company as at that date, result in the issue of 995,496 new shares of HK\$0.01 each in the Company.

(c) Details of the non-interest bearing convertible bonds are as follows:

Non-interest bearing Convertible bonds	Initial conversion price per share	Adjusted conversion price per share at 31.3.2002	Principal amount issued during the year	Principal amount converted during the year	Principal amount outstanding at 31.3.2002
	HK\$	HK\$	HK\$'000	HK\$'000	HK\$'000
Issued between October to December 2001 pursuant to the deed poll dated 16th October, 2001	0.280	0.267	284,000	(47,000)	237,000
Issued in November 2001 pursuant to the deed poll dated 15th November, 2001	0.280	0.267	67,000	(3,000)	64,000
			351,000	(50,000)	301,000

32. CONVERTIBLE BONDS (continued)

The non-interest bearing convertible bonds are unsecured, non-interest bearing, issued at a discount of 5% and will be matured in October 2004. The bondholders have the rights, at any time within a period of three years from the date of issue, to convert part or all of the principal amount of the non-interest bearing convertible bonds outstanding into ordinary shares of the Company at the initial conversion prices as stated above, subject to adjustments. The net proceeds from the issue of non-interest bearing convertible bonds of approximately HK\$266.3 million were used for redemption of existing convertible bonds, payment of interest for convertible bonds and providing working capital of the Group.

During the year, nominal value in aggregate of HK\$50,000,000 of the non-interest bearing convertible bonds was converted into ordinary shares of the Company, resulting in the issue of 181,089,540 new shares of HK\$0.01 each in the Company.

At 31st March, 2002, exercise in full of the outstanding conversion rights of the non-interest bearing convertible bonds by the bondholders will, under the share structure of the Company as at that date, result in the issue of 1,127,340,823 new shares of HK\$0.01 each in the Company.

33. SHARE CAPITAL

	<u>Number of ordinary shares</u>	<u>Amount</u> HK\$'000
Authorised:		
At 1st April, 2000 (HK\$0.10 each)	2,000,000,000	200,000
– increase of authorised share capital	4,800,000,000	480,000
At 1st April, 2001 (HK\$0.10 each)	6,800,000,000	680,000
– consolidation of shares of 20 into 1	(6,460,000,000)	–
– subdivision of each unissued consolidated share into 200 new shares	67,660,000,000	–
– cancellation of shares	(48,000,000,000)	(480,000)
At 31st March, 2002 (HK\$0.01 each)	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1st April, 2000 (HK\$0.10 each)	858,638,944	85,864
– issue of shares upon subscription	90,500,000	9,050
– issue of shares for acquisition of investment securities	133,333,333	13,333
– exercise of conversion rights of convertible bonds	359,809,042	35,981
– exercise of share options	9,500,000	950
At 31st March, 2001 (HK\$0.10 each)	1,451,781,319	145,178
– consolidation of shares and capital reduction	(1,379,192,254)	(144,452)
– issue of shares under open offer	45,785,570	458
– issue of shares upon placing	170,000,000	1,700
– exercise of conversion rights of convertible bonds	181,089,540	1,811
– exercise of share options	8,530,000	85
At 31st March, 2002 (HK\$0.01 each)	<u>477,994,175</u>	<u>4,780</u>

33. SHARE CAPITAL (continued)

- (a) Pursuant to a resolution passed at a special general meeting of the Company held on 14th May, 2001:
- (i) every 20 authorised and unissued shares and every 20 issued shares of HK\$0.10 each were consolidated into one share of HK\$2.00;
 - (ii) the nominal value of the share capital of the Company was reduced from HK\$2.00 per share to HK\$0.01 per share by the way of cancellation of HK\$1.99 paid up capital on each issued share and the subdivision of each authorised but unissued share into 200 shares;
 - (iii) the amount of HK\$444,334,000 standing to the credit of the share premium account of the Company at 30th September, 2000 was cancelled; and
 - (iv) the authorised but unissued share capital of the Company was cancelled to the extent of HK\$480,000,000 by way of a cancellation of 48,000,000,000 shares.
- (b) Pursuant to a placing agreement entered into on 21st May, 2001 between the Company and a placing agent, 14,500,000 ordinary shares of HK\$0.01 each in the Company were placed to independent investors at a price of HK\$0.52 per share, representing a discount of approximately 16.13% to the closing price of HK\$0.62 per share quoted on the Stock Exchange on 21st May, 2001. The net proceeds from the placing of approximately HK\$7.35 million were used to provide working capital of the Company and its subsidiary, Legend Power Ltd.. These shares were issued under the general mandate granted to the directors of the Company at a special general meeting held on 14th May, 2001.
- (c) Pursuant to a resolution passed at a board of directors' meeting of the Company held on 17th August, 2001, 45,785,570 new shares of HK\$0.01 each were issued by way of open offer at an issue price of HK\$0.25 per share to the then existing shareholders, in the proportion of one open offer share for every two shares then held. The net proceeds from the open offer of approximately HK\$10.29 million were used to provide working capital of the Company and its subsidiary, Legend Power Ltd..
- (d) Pursuant to a placing agreement entered into on 21st November, 2001 between the Company and a placing agent, 28,200,000 ordinary shares of HK\$0.01 each in the Company were placed to independent investors at a price of HK\$0.11 per share, representing a discount of approximately 9.09% to the closing price of HK\$0.121 per share quoted on the Stock Exchange on 21st November, 2001. The net proceeds from the placing of approximately HK\$3.06 million were used to provide working capital of the Company. These shares were issued under the general mandate granted to the directors of the Company at the annual general meeting held on 28th August, 2001.
- (e) Pursuant to a conditional placing agreement entered into on 14th December, 2001 between the Company and a placing agent, 53,900,000 ordinary shares of HK\$0.01 each in the Company were placed to independent investors at a price of HK\$0.125 per share, representing a discount of approximately 15.54% to the closing price of HK\$0.148 per share quoted on the Stock Exchange on 14th December, 2001. The net proceeds from the placing of approximately HK\$6.6 million were used to provide working capital of the Company. The placing agreement was approved by an ordinary resolution passed at a special general meeting of the company on 21st January, 2002, at which the directors of the Company were authorised to issue these shares.

33. SHARE CAPITAL (continued)

- (f) Pursuant to a placing agreement entered into on 8th February, 2002 between the Company and a placing agent, 73,400,000 ordinary shares of HK\$0.01 each in the share capital of the Company were placed to independent investors at a price of HK\$0.105 per share, representing a discount of approximately 7.08% to the closing price of HK\$0.113 per share quoted on the Stock Exchange on 7th February, 2002. The net proceeds from the placing of approximately HK\$7.5 million were used to provide working capital of the Company. These shares were issued under the general mandate granted to the directors of the Company at the special general meeting held on 21st January, 2002.
- (g) During the year, the Company issued and allotted an aggregate of 181,089,540 new shares of HK\$0.01 each as a result of the exercise of the conversion rights of the convertible bonds.
- (h) During the year, 8,530,000 share options were exercised and resulting in the issue of 8,530,000 ordinary shares of HK\$0.01 each in the Company.

All the new shares issued during the year rank pari passu with the then existing shares in all respects.

Details of the changes in the share capital after the balance sheet date are set out in note 52.

34. SHARE OPTIONS

At 31st March, 2002, the following options to subscribe for shares were outstanding under the Company's share option schemes:

<u>Date of grant</u>	<u>Exercise price per share</u> HK\$	<u>Number of share options outstanding at 31.3.2002</u>
Share option scheme adopted on 16th August, 1990 (Note 1):		
30.10.1999	16.920	584,259
4.1.2000	29.150	264,806
5.1.2000	31.560	12,831
6.1.2000	33.100	65,299
20.1.2000	37.360	557,910
24.3.2000	17.170	562,493
		<u>2,047,598</u>
Share option scheme adopted on 23rd August, 2000 (Note 2):		
26.8.2000	8.790	2,400,046
28.8.2000	8.790	372,322
21.2.2001	1.740	876,389
		<u>3,648,757</u>
Share option scheme adopted on 15th February, 2002 (Note 3):		
21.3.2002	0.086	20,648,000
		<u>26,344,355</u>

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34. SHARE OPTIONS (continued)

Notes:

1. These options can be exercised at any time during a three-year period from the date of the options granted.
2. These options can be exercised at any time during a ten-year period from the date of the options granted.
3. These options can be exercised at any time from date of grant to 30th September, 2002.

35. RESERVES

	Share premium	Translation reserve	Goodwill reserve	Contributed surplus	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
At 1st April, 2000	287,759	56	(45)	294,601	(435,661)	146,710
Premium arising on issue of shares	216,536	-	-	-	-	216,536
Expenses in connection with the issue of shares	(1,765)	-	-	-	-	(1,765)
Realised on disposal of subsidiaries	-	174	-	-	-	174
Loss for the year	-	-	-	-	(458,361)	(458,361)
At 1st April, 2001	502,530	230	(45)	294,601	(894,022)	(96,706)
Effect of capital reduction	(444,334)	-	-	97,779	491,007	144,452
Exchange differences arising on translation of the financial statements of overseas operations	-	(22)	-	-	-	(22)
Premium arising on issue of shares	85,677	-	-	-	-	85,677
Expenses in connection with the issue of shares	(1,844)	-	-	-	-	(1,844)
Loss for the year	-	-	-	-	(295,590)	(295,590)
At 31st March, 2002	142,029	208	(45)	392,380	(698,605)	(164,033)
Attributable to:						
- the Company and subsidiaries	142,029	208	(45)	392,380	(717,297)	(182,725)
- associates	-	-	-	-	10	10
- jointly controlled entities	-	-	-	-	18,682	18,682
	142,029	208	(45)	392,380	(698,605)	(164,033)
THE COMPANY						
At 1st April, 2000	287,759	-	-	294,701	(491,007)	91,453
Premium arising on issue of shares	216,536	-	-	-	-	216,536
Expenses in connection with the issue of shares	(1,765)	-	-	-	-	(1,765)
Loss for the year	-	-	-	-	(418,397)	(418,397)
At 1st April, 2001	502,530	-	-	294,701	(909,404)	(112,173)
Effect of capital reduction	(444,334)	-	-	97,779	491,007	144,452
Premium arising on issue of shares	85,677	-	-	-	-	85,677
Expenses in connection with the issue of shares	(1,844)	-	-	-	-	(1,844)
Loss for the year	-	-	-	-	(287,695)	(287,695)
At 31st March, 2002	142,029	-	-	392,480	(706,092)	(171,583)

35. RESERVES (continued)

The opening balance of the contributed surplus of the Group represents the credit arising from the reduction of share capital and cancellation of share premium, net of application towards elimination of the deficit of the Company as at 31st March, 1998. The movement in the year represents the credit arising from the reduction of share capital and cancellation of share premium during the year, net of application towards elimination of the deficit of the Company as at 31st March, 2000.

The opening balance of the contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to the group reorganisation in 1990; and the credit arising from the reduction of share capital and cancellation of share premium, net of application towards elimination of the deficit of the Company as at 31st March, 1998. The movement in the year represents the credit arising from the reduction of share capital and cancellation of share premium during the year, net of application towards elimination of the deficit of the Company as at 31st March, 2000.

In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus; if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company had no reserves available for distribution to its shareholders as at 31st March, 2002 and 2001.

36. ADVANCES FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The advances from minority shareholders of subsidiaries of the Group are unsecured and have no fixed terms of repayment. Other than an amount of HK\$13,526,000 (2001: HK\$12,793,000) which carries interest at prime rate, the remaining balances are interest-free. In the opinion of the directors, the amounts will not be repayable within the next twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

37. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries of the Company are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within the next twelve months from the balance sheet date and are therefore shown in the balance sheet as non-current.

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FOR THE YEAR ENDED 31 ST MARCH, 2002

38. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(295,799)	(458,720)
Interest expenses	18,750	25,524
Interest income, other than from loans receivable	(57)	(618)
Dividend income from listed other investments	–	(16)
Share of results of associates	–	3,652
Share of results of jointly controlled entities	2,548	11,329
Amortisation of issue costs of convertible bonds	4,578	1,531
Unamortised issue costs written off on the conversion of convertible bonds	5,091	2,941
Depreciation of property, plant and equipment	2,558	2,649
Amortisation of goodwill arising on acquisition of subsidiaries	8,329	4,365
Amortisation of goodwill arising on acquisition of associates	2,175	4,219
Amortisation of intangible assets	5,172	1,421
Written off of intangible assets	31,868	–
(Gain) loss on disposal of property, plant and equipment	(1,263)	6,405
Deficit arising on revaluation of investment properties	2,030	21
Net gain on disposal of subsidiaries	–	(5,051)
Provision for bad and doubtful debts	9,954	30,939
Impairment loss on goodwill	64,139	320,592
Impairment loss on investment securities	111,911	5,620
Provision for diminution in value of property held for resale	–	270
Loss on disposal of club debenture	–	50
Unrealised holding (gain) loss on other investments	(19)	2,421
Increase in inventories	(1,390)	(777)
Decrease in properties held for resale	1,180	357
Increase in other investments	–	(46)
(Increase) decrease in trade and other receivables	(670)	21,306
Decrease (increase) in short-term loans receivable	15,151	(2,866)
Increase (decrease) in trade and other payables	2,116	(38,822)
	(11,648)	(61,304)
Net cash outflow from operating activities	(11,648)	(61,304)

39. PURCHASE OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net liabilities acquired:		
Investment properties	-	11,301
Property, plant and equipment	-	12,596
Intangible assets	-	28,178
Interests in associates	-	400
Loans to minority shareholders of a subsidiaries	-	3,944
Properties held for resale	-	357
Trade and other receivables	-	19,939
Short-term loans receivable	-	10,897
Bank balances and cash	-	322
Trade and other payables	-	(17,515)
Amount due to immediate holding company	-	(20,433)
Short-term bank borrowings	-	(7,000)
Obligations under finance leases	-	(13)
Advance from minority shareholders of subsidiaries	-	(46,437)
Minority interests	-	(218)
	<u>-</u>	<u>-</u>
Net liabilities	-	(3,682)
Goodwill arising on acquisition of subsidiaries	-	215,813
	<u>-</u>	<u>212,131</u>
	<u>-</u>	<u>212,131</u>
Satisfied by:		
Consideration	-	220,241
Reclassified from interests in associates	-	(8,110)
	<u>-</u>	<u>212,131</u>
	<u>-</u>	<u>212,131</u>
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Cash consideration paid	-	(220,241)
Bank balances and cash acquired	-	322
	<u>-</u>	<u>322</u>
Net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries	<u>-</u>	<u>(219,919)</u>

The subsidiaries acquired during the year ended 31st March, 2001 did not have any significant impact on the Group's cash flows, turnover and operating results.

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40. DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Investment properties	-	164,000
Property, plant and equipment	-	204
Trade and other receivables	-	62
Bank balances and cash	-	37
Trade and other payables	-	(21,296)
Taxation payable	-	(11,500)
Short-term other borrowings	-	(131,293)
	<u>-</u>	<u>-</u>
Net assets	-	214
Translation reserve realised on disposal	-	174
Net gain on disposal of subsidiaries	-	5,051
	<u>-</u>	<u>5,439</u>
Satisfied by:		
Consideration	<u>-</u>	<u>5,439</u>
Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	-	5,439
Bank balances and cash disposed of	-	(37)
	<u>-</u>	<u>-</u>
Net inflow of cash and cash equivalents in connection with the disposal of subsidiaries	<u>-</u>	<u>5,402</u>

The subsidiaries disposed of during the year ended 31st March, 2001 did not have any significant impact on the Group's cash flows, turnover and operating results.

41. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium	Convertible bonds	Bank and other loans	Obligations under finance leases	Amount due to an associate	Advances from minority shareholders	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2000	373,623	50,836	142,580	-	400	320	-
Proceeds from issue of shares	55,250	-	-	-	-	-	-
Issue of shares for the acquisition of investment securities	80,000	-	-	-	-	-	-
Issue of convertible bonds	-	378,800	-	-	-	-	-
Exercise of conversion rights of convertible bonds	140,600	(140,600)	-	-	-	-	-
Expenses in connection with the issue of shares	(1,765)	-	-	-	-	-	-
Expenses in connection with the issue of convertible bonds	-	(7,442)	-	-	-	-	-
Amortisation of bonds issue costs	-	1,531	-	-	-	-	-
Unamortised issue costs written off on the conversion of convertible bonds	-	2,941	-	-	-	-	-
Inception of finance leases	-	-	-	1,275	-	-	-
Acquisition of subsidiaries	-	-	7,000	13	-	46,437	218
Disposal of subsidiaries	-	-	(131,293)	-	-	-	-
Loss for the year attributable to minority shareholders	-	-	-	-	-	-	(11)
Borrowings raised	-	-	185,272	-	-	1,546	-
Repayment of borrowings	-	-	(172,871)	(182)	(400)	-	-
At 1st April, 2001	647,708	286,066	30,688	1,106	-	48,303	207
Proceeds from issue of shares	39,731	-	-	-	-	-	-
Issue of convertible bonds	-	269,800	-	-	-	-	-
Issue of convertible bonds to redeem existing convertible bonds and settle borrowings	-	23,050	(19,435)	-	-	-	-
Exercise of conversion rights of convertible bonds	50,000	(50,000)	-	-	-	-	-
Redemption of convertible bonds	-	(241,200)	-	-	-	-	-
Expenses in connection with the issue of shares	(1,844)	-	-	-	-	-	-
Effect of capital reduction	(588,786)	-	-	-	-	-	-
Expenses in connection with the issue of convertible bonds	-	(3,448)	-	-	-	-	-
Amortisation of bonds issue costs	-	4,578	-	-	-	-	-
Unamortised issue costs written off on the conversion of convertible bonds	-	5,091	-	-	-	-	-
Inception of finance leases	-	-	-	2,723	-	-	-
Proceeds from sales and lease back of property, plant and equipment	-	-	-	1,127	-	-	-
Capital contributed by minority shareholders	-	-	-	-	-	-	281
Loss for the year attributable to minority shareholders	-	-	-	-	-	-	(322)
Borrowings raised	-	-	8,084	-	-	733	-
Repayment of borrowings	-	-	(12,576)	(1,537)	-	(966)	-
At 31st March, 2002	146,809	293,937	6,761	3,419	-	48,070	166

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42. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, nominal value in aggregate of convertible bonds of HK\$50 million (2001: HK\$140.6 million) was converted into ordinary shares of the Company, resulting in the issue of 181,089,540 ordinary shares of HK\$0.01 each (2001: 359,809,042 ordinary shares of HK\$0.10 each) in the Company.
- (b) During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$2,723,000 (2001: HK\$1,275,000).
- (c) During the year, the Company issued HK\$67 million non-interest bearing convertible bonds at an issue price of HK\$63.6 million to Hutchison International Limited to settle the convertible bonds of HK\$40.6 million, promissory note of HK\$19.4 million and their accrued interest of HK\$3.6 million.
- (d) During the year ended 31st March, 2001, the Group acquired investment securities for a consideration of approximately HK\$106 million, out of which HK\$80 million was satisfied by the issue of new shares.

43. UNRECOGNISED DEFERRED TAXATION

At 31st March, 2002, the Group and the Company had an unrecognised deferred tax asset of approximately HK\$113 million (2001: HK\$116 million) and HK\$78 million (2001: HK\$73 million), respectively, which mainly represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. This deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

44. OPERATING LEASE ARRANGEMENTS**The Group as lessee**

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Minimum lease payments paid under operating leases in respect of premises during the year	<u>2,912</u>	<u>2,568</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	<u>1,233</u>	2,796
In the second to fifth year inclusive	<u>–</u>	<u>1,233</u>
	<u>1,233</u>	<u>4,029</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term ranging from two to three years and rentals are fixed for an average of two years.

44. OPERATING LEASE ARRANGEMENTS (continued)**The Group as lessor**

Energy saving machine rental income earned during the year was HK\$348,000 (2001: HK\$77,000). At the balance sheet date, no future minimum lease payment contracted by the Group with lessees can be quantified as the lease arrangement was made on the basis of energy saving level.

During the year ended 31st March, 2001, the Group also earned property rental income of HK\$3,446,000. The Group's properties held for rental purpose had been disposed of during the year ended 31st March, 2001.

45. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to banks and financial institutions in respect of credit facilities extended to				
– subsidiaries	–	–	8,033	7,853
– a jointly controlled entity	9,500	9,500	9,500	9,500
	<u>9,500</u>	<u>9,500</u>	<u>17,533</u>	<u>17,353</u>

46. PLEDGE OF ASSETS

At 31st March, 2002, the Group's investment properties amounting to HK\$9,250,000 (2001: HK\$10,500,000) were pledged to banks for banking facilities granted to the Group.

47. RETIREMENT BENEFITS SCHEME

The Group operates a mandatory provident fund (the "MPF") scheme for all eligible employees. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The retirement benefit cost charged to the consolidated income statement represents contributions payable to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

48. RELATED PARTY TRANSACTIONS AND BALANCES

- During the year, the Group paid legal and professional fees totalling HK\$62,000 (2001: HK\$1,233,000) for services rendered by a firm of solicitors, P.C.Woo & Co., in which Mr. Lai Hin Wing, Henry, the independent non-executive director of the Company, is a partner of the firm.
- During the year, the Group also sold goods totalling HK\$2,451,000 (2001: Nil) to Legend Power System Inc., an associate of the Company. These transactions were carried out at cost plus a percentage of profit mark-up.
- During the year, the Group issued HK\$67,000,000 non-interest bearing convertible bonds at a discount of 5% to Hutchison International Limited, a fellow subsidiary of a minority shareholder of certain of the Company's subsidiaries.

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FOR THE YEAR ENDED 31ST MARCH, 2002

48. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (d) During the period from 1st April, 2000 to 3rd January, 2001, the Group also paid legal and professional fees totalling HK\$340,000 for services rendered by a firm of solicitors, Vincent T.K. Cheung, Yap & Co., in which Ms. Fung Wan Yiu, Agnes, being the independent non-executive director of the Company until 3rd January, 2001, is a partner of the firm.
- (e) Details of balances with related parties as at the balance sheet date are set out in the balance sheets and in notes 19, 20, 22, 28 and 36.
- (f) Details of contingent liabilities in respect of guarantees given to related companies to secure credit facilities granted to related companies are set out in note 45.

49. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation	Nominal value of issued and fully paid ordinary share capital	Attributable proportion of nominal value of issued share capital held by the Company		Principal activity
			Directly	Indirectly	
G-Prop Management Limited	Hong Kong	HK\$2	–	100%	Provision of management services
G-Prop Technology Limited	British Virgin Islands	US\$1	100%	–	Investment holding
G-Prop Satellite Television Limited	British Virgin Islands	US\$1	100%	–	Investment holding
Jenyear Investments Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Lamford Holdings Limited	British Virgin Islands	US\$1	–	100%	Security trading
Legend Power Ltd.	British Virgin Islands	US\$2,000	–	50%*	Investment holding
Luckview Development Limited	Hong Kong	HK\$2	–	100%	Property investment
Shing Fai Management Limited	British Virgin Islands	US\$1	–	100%	Investment holding
Universe Dragon Limited	Hong Kong	HK\$2	–	50%*	Manufacturing and leasing of energy saving machines
Universe Dragon Engineering Limited	Hong Kong	HK\$2	–	50%*	Trading of energy saving machines
Wingrove Holdings Limited	British Virgin Islands	US\$50,000	–	66.67%	Investment holding

49. PRINCIPAL SUBSIDIARIES (continued)

- * Pursuant to a supplemental agreement entered into between the Group and the other shareholder of Legend Power Ltd. dated 5th December, 2000, the Group has been granted a casting vote on the meeting of the shareholders. Accordingly, Legend Power Ltd. and its subsidiaries are classified as subsidiaries of the Company.

All the above subsidiaries operate in Hong Kong.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

50. PRINCIPAL ASSOCIATES

Details of the Group's principal associates which are held indirectly by the Company at 31st March, 2002 are as follows:

<u>Name of associate</u>	<u>Place of incorporation</u>	<u>Proportion of nominal value of issued share capital held</u>	<u>Principal activities</u>
Harvest Power Limited	British Virgin Islands	45%	Development of electronic books
Legend Power System Inc.	Canada	25%	Trading of energy saving machines

Harvest Power Limited operates in Hong Kong and Legend Power System Inc. operates in Canada.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

51. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the Group's principal jointly controlled entities which are held indirectly by the Company at 31st March, 2002 are as follows:

<u>Name of jointly controlled entity</u>	<u>Place of incorporation</u>	<u>Proportion of nominal value of issued share capital held</u>	<u>Principal activities</u>
Golden Royce Investment Limited	Hong Kong	40%	Property development and investment holding
New Champion International Limited	Hong Kong	50%	Property investment
Top Grade Assets Limited	British Virgin Islands	50%	Property investment and agency services

51. PRINCIPAL JOINTLY CONTROLLED ENTITIES (continued)

All the above jointly controlled entities operate in the People's Republic of China except for New Champion International Limited which operates in Hong Kong.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

52. POST BALANCE SHEET EVENTS

- (a) On 9th April, 2002, a placing agreement was entered into between the Company and a placing agent, pursuant to which the placing agent agreed to place 239,000,000 shares of HK\$0.01 each in the share capital of the Company to independent investors at a price of HK\$0.061 per share. The net proceeds from the placing of approximately HK\$14.1 million provide additional working capital to the Group.
- (b) On 28th January, 2002, the Company entered into conditional sale and purchase agreements with Great Empire International Limited & Paul Y. Holdings Company Limited, pursuant to which the Group agreed to acquire the entire issued share capital of I-Space.Com Limited and Regal Leader Limited, representing 100% of the issued share capital of both companies, for the estimated total consideration of approximately HK\$153.2 million to be satisfied by way of issue of non-interest bearing convertible bonds at a discount of 5%. On 8th June, 2002, the sale and purchase agreements were supplemented by two supplemental sale and purchase agreements entered into by the same parties. The principal assets of both companies are properties located in Hong Kong. The acquisitions have not yet been completed at the date of this report.
- (c) On 28th January, 2002, a placing agreement was entered into between the Company and a placing agent, pursuant to which the placing agent agreed to place convertible bonds with an aggregate principal amount of up to HK\$100,000,000 on a best endeavour basis. The placing agreement was supplemented by a supplemental placing agreement on 8th June, 2002 entered into by the same parties. The placing has not yet been completed at the date of this report.
- (d) On 11th July, 2002, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of 1 share with a par value of US\$1 in the share capital of Capital Sign Enterprises Limited ("CSEL"), representing 100% of the issued share capital of CSEL, at a consideration of HK\$12 million. Through its interest in CSEL, the Group indirectly holds 40% of the issued share capital of International Brand Products Holding Limited. The acquisition has not yet been completed at the date of this report.
- (e) On 11th July, 2002, a placing agreement was entered into between the Company and a placing agent, pursuant to which the placing agent agreed to place 143,300,000 shares of HK\$0.01 each in the share capital of the Company to independent investors at a price of HK\$0.038 per share. The estimated net proceeds from the placing of approximately HK\$5.2 million will be used for general working capital to the Group. The placing has not yet been completed at the date of this report.